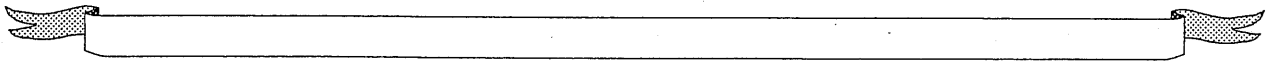


BY-LAWS
of

MILL RIVER PROPERTY
OWNERS ASSOCIATION, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF

IDAHO



CORP-KIT NORTHWEST, INC.

BY-LAWS OF
MILL RIVER PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I

1. It shall be the duty of each member of this Association to notify the Secretary of the Association in writing by Certified Mail of the date of membership and to provide the Secretary with that member's mailing address. It is the duty of the member to continue to keep the Secretary of the Association apprised by Certified Mail of changes in the Member's mailing address.

2. The Board of Directors shall fix the amount of assessments and charges to the members at a uniform rate and determine or implement the method of collection thereof, and make such charges and assessments payable at such time or intervals and upon such notice and such methods that the Directors may so prescribe. Any assessment not paid within 30 days shall be delinquent and thereafter shall become a lien on the property.

3. Neighborhood, Inc., the Grantor and initial owner of "Edgewater" Mill River Subdivision, Phase I, shall be exempt from any assessments; however, it shall reimburse the Association as long as it is an owner of a Lot and/or Dwelling Unit, for its proportionate share of the remaining actual cost of Common Expenses after application of the Common Assessments, based on the number of remaining Lots owned by Neighborhood, Inc., its successors or assigns, in relation to the total number of Lots in the Property.

ARTICLE II

1. Every person or entity who is the owner of a fee or equitable title in a lot in that certain subdivision in the City of Coeur d'Alene known as "Edgewater" Mill River Subdivision, Phase I, hereinafter referred to as "Subdivision", when purchasing under a contract, and who pursuant to recorded Declaration of Covenants, Conditions, Restrictions and Reservations of Easement is subject to required membership or assessment, either present or future, by the Association, shall be a member of Mill River Property Owners Association. Members shall also include those future Lot Owners who are qualified for membership, and required to become members pursuant to the provisions of Articles Two and Five of the Articles of Incorporation. For the purpose of determining membership, such ownership will be deemed to have vested upon delivery of a duly executed deed or contract to the grantee or vendee. The legal title retained by a vendor selling under a contract shall not qualify such vendor for membership. Foreclosure of a contract or repossession for any reason of a lot sold under contract shall terminate the vendee's

membership, whereupon all rights and obligations to such membership shall revert in the vendor. Persons acquiring only a security interest in a lot shall not be a member of this Association.

2. The Association shall have two (2) classes of voting membership as follows:

Class A. Class A Member shall be all Owners in the Property, with the exception of the Grantor, for so long as there exists a Class B membership for the Association. Class A Members shall be entitled to one (1) vote for each Lot owned. Grantor shall become a Class A Member with regard to Lots owned by Grantor upon conversion of Grantor's Class B Membership as provided below. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised in accordance with Article III, Section 3.02 of this Declaration, and in no event shall more than one (1) Class A vote be cast with respect to any Lot.

Class B. The Class B Member shall be Neighborhood, Inc., its heirs or assigns, who shall be entitled to ten (10) votes for each Lot owned by Neighborhood, Inc., its heirs or assigns. The Class B Membership shall cease and be converted to Class A Membership on the happening of the earliest of the following events:

- a. At such time as seventy-five percent (75%) of all Units available for sale or included within "Edgewater" Mill River Subdivision, including any lots of subsequent phases made a part of the Association, have been deeded to owners other than Neighborhood, Inc.; or
- b. Twenty (20) years from the Close of Sale of the first Lot sold in the Subdivision; or
- c. Upon Neighborhood, Inc.'s, its heirs' or assigns', written relinquishment of its Class B Membership.

3. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one person has an interest in any Lot ("co-owner"), all such co-owners shall be Members and may attend any meeting of the Association, but only one such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Such co-owners may from time to time designate in writing one of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if such designation has been revoked, the vote for such Lot shall be exercised as a majority of the co-owners of the Lot mutually agree. Unless the Board received a written objection from a co-owner, it shall be presumed that the voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for any Lot where the majority of the co-owners present in person or by proxy and representing such Lot cannot agree to said vote or other action. The non-voting co-owner or co-owners shall be jointly and severally responsible for all of the obligations

imposed upon the jointly owned lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein shall be deemed to be binding on all owners, their successors and assigns. Neighborhood, Inc., its heirs or assigns shall have the absolute right to appoint one (1) Member to the Board of Directors regardless of the voting results.

4. No Member of the Association shall be liable for the debts of the Association except as to the extent of the duty to pay the assessment fees as fixed by the Board of Directors.

5. The membership rights (including voting rights) of any Member may be suspended by action of the Board of Directors if such Member shall have failed to pay when due any assessment or charge lawfully imposed upon him or her on any property so owned, or if the Member, his family, his tenants, or guests if any thereof, shall have violated any rule or regulation of the Board or any covenants regarding the use of any property with respect hereto.

ARTICLE III

1. The members' annual meeting shall be held at 1:30 p.m. on the first Monday of December of each year at the Coeur d'Alene Inn, located at 414 West Appleway, Coeur d'Alene, Idaho.

2. Notice of the Annual Meeting is not required unless the designated time and place is changed at the direction of the Board of Directors. If the Board of Directors directs that the Annual Meeting is to be held at a place and time other than scheduled above, a written notice to each member of the Annual Meeting stating the place, day and hour shall be delivered not less than twenty (20) nor more than sixty (60) days before the date of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage prepaid thereon.

3. Special meetings of the members shall be called up by a two-third ($2/3$) vote of the Directors or upon written demand of one-third ($33 \frac{1}{3}\%$) of all Association members. Notice shall be deemed given according to the manner set forth in paragraph 2 of this Article.

4. To constitute a quorum, there shall be present and voting at each meeting, either in person or by proxy, twenty-five percent (25%) of the membership of record at the date notice of the meeting was given or if notice was not required, membership of record thirty (30) days prior to said meeting date. Notice shall be deemed given according to the manner set forth in paragraph 2 of this Article.

ARTICLE IV

1. The business and affairs of the Association shall be managed by the Board of Directors who are authorized to exercise all of the powers of the Association unless specifically reserved for the members.

2. The first Board of Directors shall be those individuals as set forth in the Articles of Incorporation and shall hold office for five (5) years and need not be members of the Association. Thereafter, the Board of Directors shall be members of the Association and shall be elected by the members at the Annual Membership Meeting and shall hold office for one year.

Nothing shall prohibit the resignation of any Director at any time, in which event the resigning Director shall be replaced by a vote of the Members at the next annual meeting, or at a special meeting called by the remaining Director or Directors if said remaining Director or Directors determine a special election is appropriate.

During the first five (5) years, Neighborhood, Inc. may remove any Director at any time and appoint a replacement, without cause.

3. The Directors shall appoint three (3) members to the Architectural Committee at their first meeting. Members of the Architectural Committee shall serve at the pleasure of the Board of Directors. The Architectural Committee shall promulgate rules and regulations regarding the procedures for implementing its duties enumerated in the Protective Covenants. Those rules and regulations upon approval of the Board of Directors shall become a part of these By-laws.

4. Director's meetings shall be held annually immediately after the annual membership meeting or at such time and place as may be determined by the Directors. No notice of the annual meeting of the Board of Directors shall be necessary.

5. Special meetings of the Directors shall be called at any time and place upon the call of the President or any Director. Notice of the time and place of each special meeting shall be given by the Secretary, or the persons calling the meeting, by mail, or by personal communication by telephone or otherwise, at least three (3) days in advance of the time of meeting. The purpose of the meeting need not be given in the notice. Notice of any special meeting may be waived in writing and will be waived by Directors in attendance.

6. Regular meetings of the Board of Directors shall be held at such place and on such day and hour as shall from time to time be fixed by resolution of the Board of Directors. No notice of regular meetings of the Board of Directors shall be necessary.

7. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, or such other officers as deemed necessary by the Board. An officer may simultaneously hold two offices and also serve as a Director.

8. The officers shall be elected annually by the Board of Directors at the meeting following the annual meeting of the members, and at other times if need exists.

9. The officers shall have the usual duties of office common to corporate activities.

ARTICLE V

Whenever any notice is required to be given under the provisions of any law, or under the provisions of the Articles of Incorporation of the Corporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VI

Whenever a conflict arises between the language of these By-Laws and the Declaration of Covenants Conditions Restrictions and Reservations of Easements for "Edgewater" Mill River Subdivision, Phase I, the Declaration shall govern. Whenever a conflict arises between the language of these By-Laws and the Articles of Incorporation, the Articles of Incorporation shall govern.

ARTICLE VII

Unless the context requires otherwise, the general provisions, rules of construction, and definitions contained in the General Corporation Law of the State of Idaho shall govern the construction of these Bylaws. Without limiting the foregoing, the masculine gender includes the feminine and neuter; the singular number includes the plural, and the plural number includes the singular; "shall" is mandatory and "may" is permissive; and "person" includes a corporation as well as a natural person.

ARTICLE VIII

These By-Laws may be altered or repealed and By-Laws may be made at any annual meeting of the Members or at any special meeting thereof if notice of the proposed alteration or repeal to be made is contained in the notice of such special meeting, by the affirmative vote of a majority of the members entitled to vote thereat, or by the affirmative vote of a majority of the Board at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration or repeal to be made is contained in the notice of such special meeting.

ARTICLE IX

These Bylaws shall further encompass all other provisions of that certain Declaration of Covenants, Conditions Restrictions and Reservations of Easements for "Edgewater" Mill River Subdivision, Phase I, which are not specifically set forth herein.

Passed and adopted by unanimous vote of the Incorporators as the Bylaws of Mill River Property Owners Association, Inc. on the 6th day of September 2004.

Incorporator, NEIGHBORHOOD, INC.

By: 
CLIFFORD E. MORT, President

I, CLIFFORD E. MORT, a Director of Mill River Property Owners Association, Inc., an Idaho corporation, hereby certify:

The foregoing By-laws, comprising 6 pages, were adopted as the By-laws of Mill River Property Owners Association, Inc., on the 6th day of September, 2004.

MILL RIVER PROPERTY OWNERS
ASSOCIATION, INC.

By: 
CLIFFORD E. MORT, Director